

**SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
KINDER, LOUISIANA**

A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

WITH SUPPLEMENTAL INFORMATION SCHEDULES

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-6-05

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SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
Management's Discussion and Analysis
As of and for the Year ended December 31, 2004

The management of the Southwest Allen Parish Water District No. 2 offers readers of the Southwest Allen Parish Water District No. 2's (District) financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2004. This management discussion and analysis ("MD&A") is designed to provide an objective analysis of the District's financial activities based on currently known facts, decisions, and conditions. It is intended to provide readers with a broad overview of District finances. It is also intended to provide readers with an analysis of the District's short-term and long-term activities based on information presented in the financial report and fiscal policies that have been adopted by the District. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position (its ability to address the next and subsequent year challenges), and identify individual fund issues or concerns.

Overview of the Financial Statements

This section is intended to serve as an introduction to the District's financial statements. The District's basic financial statements consist of the government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information, which is in addition to the basic financial statements.

Government-Wide Financial Statements

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which governmental financial statements are presented. It now provides readers with a concise "entity-wide" Statement of Net Assets and Statement of Activities, which seek to give the user of the financial statements a broad overview of the District's financial position and results of operations in a manner similar to private sector businesses.

The statement of net assets presents information on all of the District's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The difference between the two is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or weakening.

The statement of activities presents information which shows how the government's net assets changed during this fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected water bills).

These reports are broken down by business-type activities. Business-type activities are functions that are intended to support their costs through charges for services or fees; such as the Water Department.

Government-wide Financial Analysis

As noted earlier, net assets may, over time, serve as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the District's assets exceeded its liabilities by \$2,729,175 (net

assets); this represents an increase of \$11,215 from the last fiscal year. Of this total net asset amount, \$434,820 is unrestricted net assets. The District's net assets are comprised of \$2,729,175 from business-type activities.

The following is a condensed statement of the Southwest Allen Parish Water District's net assets as of December 31, 2004:

Condensed Statement of Net Assets
December 31, 2004

Current and other assets	\$ 472,825
Capital assets, net of accumulated depreciation	<u>2,294,355</u>
Total Assets	<u>\$ 2,767,180</u>
 Current liabilities	 <u>\$ 38,005</u>
 Net Assets:	
Invested in capital assets	2,294,355
Unrestricted	<u>434,820</u>
Total Net Assets	<u>\$ 2,729,175</u>

Cash totaling \$340,695 and receivables of \$105,437 represent the largest portion of current and other assets. The District's cash balances decreased \$362,223 due to the retirement of the total \$378,000 of bond debt owed at December 31, 2003.

By far the largest portion of the District's net assets, \$2,294,355, reflects is investment in capital assets (e.g. land, buildings, machinery and equipment, etc.) less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Because of the change in accounting principles described in Note 10 of Notes to the Financial Statements, a comparison of various items included with the previous year amounts is not presented. In future years, these amounts will be available and comparisons presented.

Governmental Activities

The District does not have any governmental activities.

Business-type Activities

The business-type activities of the District are those that charge a fee to customers for the services provided. The District has one business-type activity, which is accounted for in an enterprise fund. The District uses the enterprise fund to account for the revenues and expenses related to the provision of water services.

The table below provides a summary of the changes in net assets for the year ending December 31, 2004:

Condensed Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ending December 31, 2004

Revenues		\$ 735,584
Expenses		<u>725,769</u>
	Operating Income	<u>9,815</u>
Non-operating revenue (expenses)		
Interest income		5,196
Interest expense		<u>(11,096)</u>
	Non-operating revenue (expenses)	<u>(5,900)</u>
Income before contributions		3,915
Capital contributions		<u>7,300</u>
Increase in net assets		11,215
Net assets - beginning		<u>2,717,960</u>
Net assets - ending		<u>\$ 2,729,175</u>

Expenses include salaries of \$196,424 (27%), utilities of \$99,376 (14%), repairs and maintenance of \$63,850 (9%), supplies of \$65,691 (9%), insurance of \$79,765 (11%) and depreciation of \$86,432 (12%).

Fund Financial Statements - Governmental Funds

The fund financial statements provide more detailed information about the District's most significant funds - not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for a particular purpose.

The District currently maintains no individual governmental fund types.

Fund Financial Statements - Proprietary Funds

The District maintains one proprietary fund. A proprietary fund is used to report the same functions as business-type activities. The District uses its enterprise fund (the first type of proprietary fund) to account for its Water Operations. The enterprise fund reports the same functions presented as business-type activities in the government-wide financial statements.

Financial Analysis of the District's Proprietary Fund

In that financial statements of enterprise funds are presented on the same basis of accounting as in both the governmental-wide financial statements and the individual fund statements, all comments and analysis made under business-type activities apply to these funds.

Proprietary Fund Budgetary Highlights

A budget is not required of the District.

Capital Asset and Debt Administration

Capital Assets: The District's investment in capital assets as of December 31, 2004 amounts to \$2,294,355 net of accumulated depreciation.

Capital Assets at Year End

Land	\$ 56,243
Building	103,449
Distribution system	3,470,031
Furniture, fixtures and equipment	<u>107,533</u>
Total Capital Assets	3,737,256
Less accumulated depreciation	<u>(1,442,901)</u>
	<u>\$ 2,294,355</u>

The District retired the total bond debt of \$378,000 during 2004.

Economic Factors

The District increased water rates during 2004 and continues to expand.

Requests for Information

This financial report is designed to provide a general overview of the Southwest Allen Parish Water District No. 2's finances for all with an interest in the government's operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Wayne Fontenot, Manager, Southwest Allen Parish Water District No. 2, P. O. Box 247, Kinder, Louisiana, 70648-0247.

Stutzman & Gates, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Members:
American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants

Board of Commissioners
Southwest Allen Parish Water District No. 2
Kinder, Louisiana

We have audited the accompanying financial statements of the business-type activities and each major fund of Southwest Allen Parish Water District No. 2, a component unit of the Allen Parish Police Jury, as of and for the year ended December 31, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Southwest Allen Parish Water District No. 2 management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and each major fund of the Southwest Allen Parish Water District No. 2, as of December 31, 2004, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 10, the District has implemented a new financial reporting model as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended and interpreted, as of January 1, 2004.

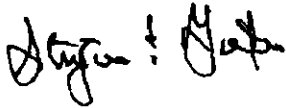
In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2005, on our consideration of the Southwest Allen Parish Water District No. 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 2 through 5, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Commissioners

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southwest Allen Parish Water District No. 2's, basic financial statements. The other supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of compensation paid to commissioners, schedule of findings and summary schedule of prior audit findings have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The management's corrective action plan for current year audit findings has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



Stutzman & Gates, LLC

June 13, 2005

BASIC FINANCIAL STATEMENTS

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
STATEMENT OF NET ASSETS, PROPRIETARY FUND
December 31, 2004

ASSETS

Current assets:

Cash	\$ 329,503
Cash - restricted	11,192
Receivables - net	105,437
Prepaid assets	7,887
Insurance receivable	<u>11,554</u>
Total Current Assets	465,573

Non-current Assets

Capital assets - net of accumulated depreciation	2,294,355
Reimbursement receivable	<u>7,252</u>

TOTAL ASSETS **\$ 2,767,180**

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 20,946
Accrued liabilities	7,034
Customer deposits	<u>10,025</u>
TOTAL LIABILITIES	<u>38,005</u>

Net assets:

Investment in capital assets	2,294,355
Unrestricted	<u>434,820</u>
TOTAL NET ASSETS	<u>\$ 2,729,175</u>

The accompanying notes are an integral part of this statement.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS, PROPRIETARY FUND
For the Year Ended December 31, 2004

OPERATING REVENUES:

Charges for services	\$ 730,219
Miscellaneous	<u>5,365</u>
TOTAL OPERATING REVENUES	<u>735,584</u>

OPERATING EXPENSES:

Advertising	3,700
Computer service	647
Contract labor	24,118
Depreciation	86,432
Dues	768
Equipment rental	3,353
Insurance - general	37,938
Insurance - health	41,827
Miscellaneous	13,007
Office	5,930
Per diem	2,400
Postage	6,123
Professional fees	7,750
Repairs and maintenance	63,850
Retirement	20,112
Salaries	196,424
Supplies	65,691
Taxes and licenses	6,613
Transportation	13,700
Utilities	99,376
Vehicle lease	21,015
Water administration fees	<u>4,995</u>
TOTAL OPERATING EXPENSES	<u>725,769</u>

OPERATING INCOME 9,815

NON-OPERATING REVENUES (EXPENSES):

Interest income	5,196
Interest expense	<u>(11,096)</u>
TOTAL NON-OPERATING INCOME (EXPENSES)	<u>(5,900)</u>

INCOME BEFORE CONTRIBUTIONS 3,915

CAPITAL CONTRIBUTIONS 7,300

CHANGE IN NET ASSETS 11,215

NET ASSETS - BEGINNING - AS RESTATED 2,717,960

NET ASSETS - ENDING **\$2,729,175**

The accompanying notes are an integral part of this statement.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
STATEMENT OF CASH FLOWS, PROPRIETARY FUND
For the Year Ended December 31, 2004

Cash Flows from Operating Activities	
Received from customers and users	\$ 729,061
Payments for supplies and services	(445,042)
Payments to employees	<u>(196,424)</u>
Net Cash Provided by Operating Activities	<u>87,595</u>
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	(65,171)
Principal paid on capital debt	(378,000)
Interest paid on capital debt	(22,540)
Contributions from customers	7,300
Reimbursement received	<u>2,503</u>
Net Cash Provided (Used) from (for) Capital and Related Financing Activities	<u>(455,908)</u>
Cash Flows from Investing Activities	
Interest received	<u>6,090</u>
Net Increase (Decrease) in Cash and Equivalents	<u>(362,223)</u>
Cash and Cash Equivalents at Beginning of Year	<u>702,918</u>
Cash and Cash Equivalents at End of Year	<u>\$ 340,695</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 9,815
Depreciation	86,432
(Increase) decrease in:	
Receivables - trade	(7,348)
Prepaid expenses	671
Insurance receivable	(11,554)
Increase (decrease) in:	
Accounts payable	6,153
Accrued liabilities	2,601
Rent deposits	<u>825</u>
Net Cash Provided by Operating Activities	<u>\$ 87,595</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

**SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

INTRODUCTION

The Southwest Allen Parish Water District No. 2 is a political subdivision of the State of Louisiana. It was created under the provisions of Louisiana Revised Statutes 33:3811, for the purpose of providing water to the rural area of Southwest Allen Parish. The District is governed by a board of commissioners composed of five compensated members appointed by the Allen Parish Police Jury. The District primarily provides water to residential customers but does provide water to the Town of Kinder, the Casino area and a Federal prison.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Southwest Allen Parish Water District No. 2 is considered a component unit of the Allen Parish Police Jury. As a component unit, the accompanying financial statements are included within the reporting of the primary government, either blended into those financial statements or separately reported as a discrete component unit.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

The government-wide fund financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major proprietary fund:

The Water fund is to account for the provision of water services to the customers of the District. All activities necessary to provide such services are accounted for in this fund, but not limited to, administration, operations, maintenance, financing, and related debt service and billing.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the governments enterprise operations. Elimination of those charges would distort the direct costs and program revenues reported for the various functions concerned.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal service funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Revenues susceptible to accrual are interest and charges for services.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Southwest Allen Parish Water District No. 2's investment policy allow the District to invest in collateralized certificates of deposits, government back securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

D. Prepaid Items

The District records as prepaid expenses amounts paid in the current year that benefit future periods.

E. Accounts Receivable

An allowance for doubtful accounts is computed under the allowance method, based upon historical data and management's estimates of uncollectible accounts. The provision for doubtful accounts at December 31, 2004 was \$2,149.

**SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. As of December 31, 2004, all assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Southwest Allen Parish Water District No. 2 maintains a threshold level of \$5,000 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of each class of depreciable property is computed using the straight-line method. Estimated useful lives are as follows:

Building	27 years
Distribution system	20-50 years
Furniture & fixtures	5-7 years
Equipment	5-10 years

G. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

H. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from the estimates.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Compensated Absences

The District's leave policy does not provide for the accumulation and vesting of leave.

NOTE 2 - CASH AND CASH EQUIVALENTS

At December 31, 2004, the District has cash and cash equivalents (book balances) totaling \$340,695 as follows:

Interest-bearing demand deposits	\$ 340,445
Time deposits	-
Other	250
Total	<u>\$ 340,695</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2004, the District has \$344,163 in deposits (collected bank balances). These deposits are secured from risk by \$125,518 of federal deposit insurance and \$218,645 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, R. S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 - FIXED ASSETS

A summary of fixed assets at December 31, 2004, follows:

	<u>Fixed Assets</u>		
	Beginning	Net	End of
	Of Year	Additions	Year
		(Deletions)	
Building	\$ 103,449	\$ -	\$ 103,449
Distribution system	3,414,981	55,050	3,470,031
Furniture, fixtures, & equipment	120,495	(12,962)	107,533
Land	<u>56,243</u>	<u>-</u>	<u>56,243</u>

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 3 - FIXED ASSETS

	<u>Fixed Assets</u>		
	Beginning	Net	End of
	Of Year	Additions	Year
		(Deletions)	
	3,695,168	\$ 42,088	3,737,256
Less accumulated depreciation	(1,379,552)		(1,442,901)
Totals	<u>\$2,315,616</u>		<u>\$ 2,294,355</u>

Depreciation expense was \$86,432 for the year ended December 31, 2004.

The District incurred a theft loss on several equipment items during the year. The original cost of the items was \$23,880 with accumulated depreciation at the time of loss totaling \$23,083. The District replaced these items for \$4,990 after insurance reimbursement.

NOTE 4 - LONG-TERM LIABILITIES

A. The following is a summary of long-term liability transactions during the year:

	<u>Total</u>
Long-term liability payable at January 1, 2004	\$ 378,000
Additions	-
Deductions	<u>378,000</u>
Long-term liability payable at December 31, 2004	<u>\$ -</u>

NOTE 5 - COMPONENTS OF RESTRICTED ASSETS

The customer deposit account had a balance of \$11,192 at December 31, 2004. The account is restricted to refunding the deposits as needed. The balance owed from this account was \$10,025 at December 31, 2004.

NOTE 6 - CONTRIBUTED CAPITAL

During the year, contributed capital changed by the following amount:

Contribution from customers	\$ 7,300
Depreciation of fixed assets acquired by funds	
externally restricted for capital expenditures	<u>(7,279)</u>
	21
Contributed capital, beginning	<u>768,874</u>
Contributed capital, ending	<u>\$768,895</u>

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 7 - RETIREMENT COMMITMENTS

The District established a SEP IRA for its employees in 1999. The IRA's are under the custody of Oppenheimer Funds Services and a separate account is administered for each participating employee.

The District contributes 10% of each participating employee's monthly gross salary. Total payroll for the District was \$196,424 and total payroll for participating employees was \$196,424. The District's contribution for the year ended December 31, 2004 was \$20,112. All full time employees are eligible to participate.

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 9 - OPERATING LEASES

During the year 2002, 2003, and 2004 the District signed lease agreements with Ford Credit and Toyota Credit for the lease of three vehicles. All leases are for 36 months with monthly payments of \$557, \$573 and \$516 monthly. The leases have an option to purchase at expiration. The District does not intend to purchase these vehicles at the end of the lease term.

Future minimum rental payments are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Rental</u> <u>Payments</u>
2005	\$ 19,192
2006	6,693
2007	<u>6,135</u>
Total	<u>\$ 32,020</u>

Total rental expense for the year ended December 31, 2004 was \$21,015.

NOTE 10- GASB STATEMENT NO. 34

For the year ended December 31, 2004, the Southwest Allen Parish Water District has implemented GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis -*

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 10- GASB STATEMENT NO. 34

for State and Local Governments. GASB Statement No., 34 creates new basic financial statements for reporting on the District's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements which present information for individual major funds rather than by fund type which as been the mode of presentation in previously issued financial statements.

NOTE 11- NET ASSETS RESTATED

The District has restated the Net Assets ending balance at December 31, 2003 to reflect unbilled water receivables, net of an allowance for uncollectible amounts.

Net Assets, December 31, 2003 - as previously reported	\$ 2,692,988
Unbilled water receivables at December 31, 2003 - not reported	<u>24,972</u>
Net Assets, December 31, 2003 - as restated	<u>\$ 2,717,960</u>

SUPPLEMENTAL INFORMATION SCHEDULES

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
SUPPLEMENTAL INFORMATION SCHEDULE
DECEMBER 31, 2004

Schedule of Compensation Paid to Commissioners:

A schedule of compensation paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. LA. Rev. Stat. 33:3819 allows for each commissioner to be paid up to \$60 for each meeting attended. Commissioners are paid \$40 for each meeting attended except for the President whose per diem is \$60 for each meeting attended.

Per diem paid commissioners for the year ended December 31, 2004 were as follows:

	<u>Per Diem</u>
Lee White	\$ 460
Percy Morehead	280
William B. Jackson	480
Johnny Wallace	700
Patricia Odom	480
	<u>\$ 2,400</u>

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
Supplemental Information Schedule
Schedule of Findings
For the Year Ended December 31, 2004

We have audited the financial statements of the Southwest Allen Parish Water District No. 2 as of and for the year ended December 31, 2004, and have issued our report dated June 13, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2004 resulted in an unqualified opinion.

Section I Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material weakness(es) identified? X Yes No

Reportable condition(s) identified
that are not considered to be
material weaknesses? Yes X None reported

Noncompliance material to financial
statements noted? X Yes No

Section II - Financial Statement Findings

2004-1 I/C (Material weakness) Segregation of duties:

Because of the lack of a large staff, more specifically accounting personnel, there is a problem with segregation of duties necessary for proper controls. One person is currently performing the function of preparing disbursements in the journals, and posting to the general ledger. We do note that this situation is inherent to most entities of this type and is difficult to solve due to the funding limitations of the District. We recommend that the commissioners take an active interest in the review of all of the financial information.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
Supplemental Information Schedule
Schedule of Findings
For the Year Ended December 31, 2004

2004-2 I/C (Material weakness) Public bid law:
2004-1 C

Criteria: La. Rev. Stat. §38:2212.1 - All material and supply purchases \$20,000 or greater by a public entity shall be advertised and let by contract to the lowest bidder according to specifications.

Condition: The District acquired a backhoe in excess of \$20,000 without advertising for public bids.

Effect: Possible violation of La. Rev. Stat. §38:2212.1.

Cause: Administrative oversight.

Recommendation: The District should follow the public bid law in the future.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
Supplemental Information Schedule
Management's Corrective Action Plan (Unaudited)
For the Year Ended December 31, 2004

Section I Internal Control and Compliance Material to the Financial Statements:

2004-1 I/C Segregation of duties:

This is an ongoing finding that cannot be corrected due to lack of financial resources.

Contact person - Wayne Fontenot, Manager

2004-2 I/C Public bid law:
2004-1C

Recommendation: The District should follow the public bid law in the future.

Planned action: The District will follow the public bid law in the future.

Contact person - Wayne Fontenot, Manager

**SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
SUPPLEMENTAL INFORMATION SCHEDULE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2004**

Section 1 - Internal Control and compliance Material to the Financial Statements

2003-1 I/C (Ongoing finding) Segregation of duties:

Corrective action taken - Due to lack of sufficient financial resources, this finding cannot be resolved. See 2004-1 I/C.

INDEPENDENT AUDITOR'S REPORT SECTION

Stutzman & Gates, LLC

Certified Public Accountants

Members:
American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Southwest Allen Parish Water District No. 2
Kinder, Louisiana

We have audited the financial statements of the business-type activities and each major fund of Southwest Allen Parish Water District No. 2 as of and for the year ended December 31, 2004, which collectively comprise the Southwest Allen Parish Water District No. 2's basic financial statements and have issued our report thereon dated June 13, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southwest Allen Parish Water District No. 2's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Southwest Allen Parish Water District No. 2's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-1 I/C and 2004-2 I/C.

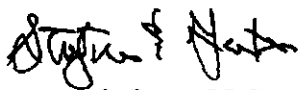
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2004-1 I/C and 2004-2 I/C to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southwest Allen Parish Water District No. 2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws,

regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2004-1 C.

This report is intended solely for the information and use of management, the Board of Commissioners, the Allen Parish Police Jury, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Stutzman & Gates, LLC
June 13, 2005